

Message Text

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PAGE 01 BANGKO 17698 110303Z
ACTION EA-09

INFO OCT-01 ISO-00 OPIC-03 EB-08 TRSE-00 XMB-02 COME-00
L-03 AID-05 CIAE-00 FRB-03 INR-07 NSAE-00 USIA-06
SP-02 LAB-04 SIL-01 OMB-01 OES-07 FEA-01 PA-01
PRS-01 /065 W

-----084011 111012Z /17

R 110150Z AUG 77
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 5050

C O N F I D E N T I A L BANGKOK 17698

E.O. 11652: GDS
TAGS: EINV, TH
SUBJ: CLIMATE FOR PRIVATE INVESTMENT

REF: STATE 168857

1. WE HAVE BEEN WAITING TO SEE HOW THE SIAM KRAFT PAPER COMPANY PROBLEM EVOLVED BEFORE REPLYING TO REFTEL. PUBLICITY SURROUNDING THIS CASE IS HARDLY REASSURING TO PROSPECTIVE INVESTORS BUT EMBASSY AND THE SIAM KRAFT BOARD OF DIRECTORS ARE NOW CAUTIOUSLY HOPEFUL MORE TOLERABLE CONDITIONS FOR REPAYMENT OF THE FINE WILL BE WORKED OUT EVENTUALLY. ON THE PLUS SIDE, THE THAI ZINC CONCESSION HAS FINALLY BEEN SIGNED AND THE BEGINNING OF SMELTER CONSTRUCTION WILL BE A FURTHER FAVORABLE DEVELOPMENT. WHILE NEGOTIATIONS ARE SLOW THE EXPLOITATION OF THE GULF OF THAILAND NATURAL GAS, ENTAILING LARGE INVESTMENTS OF CAPITAL, SHOULD MOVE FORWARD THIS YEAR. THE SODA ASH PROJECT, THAILAND'S ASEAN PROJECT, NOW BEING SURVEYED BY THE ASIAN DEVELOPMENT BANK, ALSO APPEARS TO BE A SOLID POSSIBILITY. THE BOARD OF INVESTMENT REPORTS QUICKENING INTEREST OF OTHER INVESTORS AS WELL, ENCOMPASSING A WIDE RANGE OF PROJECTS.

2. THEREFORE, AND DESPITE PROBLEMS SUCH AS SIAM KRAFT AND PROBLEMS OF A NUMBER OF COMPANIES WITH ARBITRARY CUSTOMS AND TAX
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RULINGS, EMBASSY AND AMERICAN BUSINESS COMMUNITY HERE BELIEVE THAILAND OFFERS ATTRACTIVE INVESTMENT POSSIBILITIES WHICH SHOULD BE SUPPORTED. WE THEREFORE ENDORSE OPIC PROPOSAL TO REMOVE OPIC CEILING ON NEW INSURANCE. WE ALSO BELIEVE THAT IT WOULD BE USEFUL FOR OPIC TO ENGAGE IN A DIALOGUE WITH HEADQUARTERS OFFICIALS OF U.S. FIRMS ALREADY IN THAILAND OR CONTEMPLATING INVESTMENT ABOUT WHAT OPIC MIGHT DO TO SUPPORT FURTHER U.S.

INVESTMENT.

3. WE WOULD RECOMMEND HOLDING OFF ON SENDING AN OPIC CONSULTANT UNTIL THE USAID-CONTRACTED CHEMONICS STUDIES HAVE BEEN COMPLETED. EMBASSY AND USAID WOULD, OF COURSE, GREATLY APPRECIATE OPIC ASSISTANCE IN IDENTIFYING PRIVATE U.S. INVESTORS FOR PROJECTS RESULTING FROM THE CHEMONICS STUDIES.

4. AN AGRIBUSINESS EXHIBITION IN BANGKOK FEATURING FOOD PROCESSING AND PACKAGING AND AGRICULTURAL MACHINERY IS PLANNED FOR FEBRUARY 1979. IT IS HOPED OPIC AND OTHER WASHINGTON AGENCIES CAN BE SUPPORTIVE OF THIS EFFORT AMONG AMERICAN BUSINESS FIRMS. FOR EXAMPLE, THE AGRI-BUSINESS COUNCIL MIGHT WISH TO CONSIDER A PROGRAM FOR THAILAND RELATED TO THE CHEMONICS STUDIES AND THE PROPOSED EXHIBITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, PRIVATE INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BANGKO17698
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770289-0347
Format: TEL
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770873/aaaackat.tel
Line Count: 78
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5d1ba45c-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 168857
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1638307
Secure: OPEN
Status: NATIVE
Subject: CLIMATE FOR PRIVATE INVESTMENT
TAGS: EINV, TH
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5d1ba45c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009